

KINGMAN AIRPORT AUTHORITY, INC.

ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2000

	Page
Independent Auditor's Report	1
General-Purpose Financial Statements	
Combined Balance Sheet - All Fund Types and Account Groups	3
Combined Statement of Revenues, Expenses and Changes in Retained Earnings - All Proprietary Fund Types	4
Combined Statement of Revenues and Expenses - Budget and Actual - (Budgetary Basis) - All Proprietary Fund Types	5
Combined Statement of Cash Flows - All Proprietary Fund Types	6
Notes to Financial Statements	7
Supplementary Schedule	
Schedule of Net Income	16



INDEPENDENT AUDITOR'S REPORT

The Board of Directors of the
Kingman Airport Authority, Inc.

We have audited the accompanying general-purpose financial statements of the Kingman Airport Authority, Inc. (Authority), as of and for the year ended June 30, 2000, as listed in the table of contents. These general-purpose financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general-purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Kingman Airport Authority, Inc. as of June 30, 2000, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. The schedule of net income listed in the table of contents as supplementary information is presented for purposes of additional analysis and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general-purpose statements taken as a whole.

Cronstrom & Trbovich, P.C.

Cronstrom & Trbovich, P.C.

August 14, 2000

General-Purpose Financial Statements

	Proprietary Fund Type <u>Enterprise</u>
Assets	
Cash and investments	\$ 477,520
Accounts receivable	11,894
Deposits	918
Fixed assets (net of accumulated depreciation)	7,949,223
Intangible assets (net of accumulated amortization)	<u>32,923</u>
Total Assets	<u>\$ 8,472,478</u>
Liabilities and Fund Equity	
Liabilities	
Accounts payable	\$ 337
Capital leases payable	3,624
Notes payable	<u>537,748</u>
Total Liabilities	<u>541,709</u>
Fund Equity	
Contributed capital	7,761,999
Retained earnings	
Unreserved	<u>168,770</u>
Total Fund Equity	<u>7,930,769</u>
Total Liabilities and Fund Equity	<u>\$ 8,472,478</u>

The accompanying notes to financial statements are an integral part of this statement.

YEAR ENDED JUNE 30, 2000

	Enterprise
Operating revenues	
Leases	\$ 312,679
Total operating revenues	<u>312,679</u>
Operating expenses	
Personnel	222,653
Payroll taxes and benefits	51,016
Office expense	17,642
Professional services	36,992
Maintenance and repairs	40,821
Motor pool	8,219
Operation expense	163,139
Depreciation	385,460
Amortization	<u>4,116</u>
Total operating expenses	<u>930,058</u>
Operating income (loss)	<u>(617,379)</u>
Nonoperating revenues (expenses)	
Intergovernmental	19,566
Contributions and donations	67,839
Interest revenue	22,286
Application fees	2,000
Miscellaneous revenues	55,458
Interest expense	<u>(11,570)</u>
Total nonoperating revenues (expenses)	<u>155,579</u>
Net income (loss)	(461,800)
Retained earnings, beginning of year	<u>630,570</u>
Retained earnings, end of year	<u>\$ 168,770</u>

The accompanying notes to financial statements are an integral part of this statement.

ALL PROPRIETARY FUND TYPES
YEAR ENDED JUNE 30, 2000

	Enterprise		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Leases	\$ 297,645	\$ 312,679	\$ 15,034
Intergovernmental	1,829,474	969,461	(860,013)
Contributions and donations	62,000	67,839	5,839
Interest revenue	10,000	22,286	12,286
Application fees	7,500	2,000	(5,500)
Land sales	500,000	-	(500,000)
Proceeds from note payable	500,000	534,748	34,748
Miscellaneous revenues	<u>2,000</u>	<u>55,458</u>	<u>53,458</u>
Total revenues	<u>3,208,619</u>	<u>1,964,471</u>	<u>(1,244,148)</u>
Operating expenses			
Personnel	309,462	222,653	86,809
Payroll taxes and benefits	67,725	51,016	16,709
Office expense	15,750	17,642	(1,892)
Professional services	35,700	36,992	(1,292)
Maintenance and repairs	33,000	40,821	(7,821)
Motor pool	9,000	8,219	781
Operation expense	155,820	130,640	25,180
Debt service	36,000	25,747	10,253
Capital outlay	<u>3,032,714</u>	<u>1,836,073</u>	<u>1,196,641</u>
Total operating expenses	<u>3,695,171</u>	<u>2,369,803</u>	<u>1,325,368</u>
Excess (deficiency) of revenues over expenses	\$ <u>(486,552)</u>	\$ <u>(405,332)</u>	\$ <u>81,220</u>

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

Cash flows from operating activities	
Cash received from customers	\$ 315,650
Cash payments to employees for services	(222,653)
Cash payments to suppliers for goods/services	(351,254)
Intergovernmental revenues	19,566
Contributions and donations	67,839
Application fees	2,000
Miscellaneous revenues	<u>55,458</u>
Net cash used by operating activities	<u>(113,394)</u>
Cash flows from capital and related financing activities	
Acquisition of capital assets	(1,803,574)
Principal paid on capital leases	(2,177)
Interest paid on capital leases	(1,841)
Proceeds from notes payable	534,748
Principal paid on notes payable	(12,000)
Interest paid on notes payable	(9,729)
Capital grants received	<u>957,151</u>
Net cash provided (used) for capital and related financing activities	<u>(337,422)</u>
Cash flows from investing activities	
Interest	<u>22,286</u>
Net cash provided by investing activities	<u>22,286</u>
Net increase (decrease) in cash and cash equivalents	(428,530)
Cash and cash equivalents at beginning of year	<u>906,050</u>
Cash and cash equivalents at end of year	<u>\$ 477,520</u>

RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE BALANCE SHEET

Cash and investments per the balance sheet	\$ <u>477,520</u>
Total	<u>\$ 477,520</u>

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating income (loss)	\$ (617,379)
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation and amortization	389,576
Intergovernmental revenues	19,566
Contributions and donations	67,839
Application fees	2,000
Miscellaneous revenues	55,458
(Increase) decrease in operating assets	
Accounts receivable	2,971
Increase (decrease) in operating liabilities	
Accounts payable	<u>(33,425)</u>
Net cash provided (used) by operating activities	<u>\$ (113,394)</u>

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Kingman Airport Authority, Inc. was incorporated in the State of Arizona in July 1992, as a nonprofit corporation. The Authority operates, maintains, and manages the Kingman Airport and Industrial Park for the City of Kingman. The Authority is administered by the board of directors who are elected by the membership of the Authority.

The Kingman Airport Authority, Inc. was formed by transferring the assets and liabilities of the Mohave County Airport Authority, Inc., which related to the Kingman Airport and Industrial Park, to the Kingman Airport Authority, Inc. The Authority leases the real property at no cost from the City of Kingman under a long term lease. Primary sources of funding for the authority are rents from subleasing real property, proceeds from the sale of real property located in the Kingman Airport Industrial Park, and grants from other governmental units. Functions financed by the Authority include management, maintenance, and development of the Kingman Airport and the Kingman Airport Industrial Park. The Authority is considered to be a political subdivision of the State of Arizona, Mohave County and the City of Kingman with the responsibility of carrying out the function of airport management.

The financial statements of the Kingman Airport Authority, Inc. (Authority) conform to generally accepted accounting principles as applicable to governmental units. The more significant of the Authority's accounting policies are described below.

Reporting Entity - In evaluating how to define the Authority, for financial reporting purposes, management has identified no potential component units. The decision to include a potential component unit in the reporting entity would have been made by applying criteria set forth in generally accepted accounting principles. Generally, component units are legally separate organizations for which the elected officials of the primary government (i.e., the Authority) are financially accountable. The primary government is financially accountable for a potential component unit if it: appoints a voting majority of the potential component unit's governing body; and, either is able to impose its will on the potential component unit or there is a possibility of the potential component unit to provide specific financial benefits to, or impose specific financial burdens on the primary government. In addition, a primary government may be financially accountable for a potential component unit even though the potential component unit may have a separately elected governing board, a board appointed by another government, or a jointly appointed board if the potential component unit is fiscally dependent on the primary government (e.g., the primary government must approve the potential component unit's budget, tax rates, etc.). Because no potential component units were identified in defining the Authority's reporting entity, none have been included in the Authority's reporting entity.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Fund Accounting - The accounts of the Authority are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into generic fund types and broad categories as follows:

Proprietary Fund

Enterprise Fund - The Enterprise Fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises--where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Measurement Focus - The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Proprietary Funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with the activity are included on their balance sheets. The measurement focus is upon the determination of net income, financial position and changes in financial position.

Basis of Accounting - Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements.

Proprietary Funds are accounted for using the accrual basis of accounting. The Authority applies all applicable FASB pronouncements issued on or before November 30, 1989, unless they conflict with GASB pronouncements. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred. Interest on bonds, proceeds of which are used in financing the construction of certain assets, is capitalized during the construction period net of interest on the investment of unexpended bond proceeds.

Budgetary Accounting - The Authority adopts an annual nonappropriated budget as a management control device. The budget is prepared on the modified accrual basis, which is a different basis of accounting than is used to present the financial statements. (See Note 10 for reconciliation.)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concl'd)

Cash Equivalents - Cash equivalents consist of short-term, highly liquid investments that are both (a) readily convertible to known amounts of cash; and (b) so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, only investment with original maturities of three months or less meet this definition.

Investments - Investments in securities are stated at fair value in accordance with GASB Statement No. 31.

Property, Plant and Equipment - Property, plant and equipment acquired for proprietary funds is capitalized in the respective funds to which it applies. Property, plant and equipment is recorded at historical cost. Donated fixed assets are valued at their estimated fair market value on the date donated. Depreciation of property, plant and equipment is computed using the straight-line method.

Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest capitalized was calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

NOTE 2 - CASH AND INVESTMENTS

State statutes authorize the Authority to invest in obligations of the U.S. Treasury and U.S. agencies, certificates of deposit in eligible depositories, repurchase agreements, obligations of the State of Arizona or any of its counties or incorporated cities, towns or duly organized school districts, improvement districts in this state and the State Treasurer's Local Government Investment Pool.

The Authority's investments consisted of certificates of deposit in an eligible depository and are reflected in the Combined Balance Sheet. The Authority's total investments at June 30, 2000 were \$315,307. Investments are stated at fair value.

Cash and investment at June 30, 2000 consist of the following:

Cash on hand	\$ 175
Cash in bank	162,038
Certificates of deposit	<u>315,307</u>
Total cash and investments	
on the combined balance sheet	<u>\$ 477,520</u>

Cash and investments at June 30, 2000 were entirely insured or collateralized with securities held by the Authority's custodial bank in the Authority's name.

NOTE 3 - PROPRIETARY FUND FIXED ASSETS

The following is a summary of proprietary fund fixed assets at June 30, 2000:

Land and improvements	
Airport	\$ 6,522,148
Industrial park	3,048,897
Buildings and improvements	
Airport	1,180,847
Industrial park	-0-
Furniture, machinery and equipment	122,196
Less: accumulated depreciation	<u>(2,924,865)</u>
Net fixed assets	<u>\$ 7,949,223</u>

The following estimated useful lives are used to compute depreciation:

Land and improvements	10-30 years
Buildings and improvements	7-30 years
Furniture, machinery and equipment	3-8 years

Depreciation expense for the fiscal year totalled \$385,460.

NOTE 4 - INTANGIBLE ASSETS

The following is a summary of intangible assets recorded in the Enterprise Fund which consist of site plans and a promotional video and are being amortized over periods from 7 to 15 years on a straight-line basis:

Intangible assets	\$ 76,734
Less: accumulated amortization	<u>(43,811)</u>
Net intangible assets	<u>\$ 32,923</u>

NOTE 5 - LINE OF CREDIT PAYABLE

The Authority has a line of credit with a local financial institution to provide short-term cash flow up to \$150,000. There was no balance outstanding at June 30, 2000.

NOTE 6 - NOTES PAYABLE

Notes payable at June 30, 2000, consisted of the following. Principal and interest requirements at June 30, 2000, were as follows:

<u>Description</u>	<u>Interest Rates(%)</u>	<u>Maturity</u>	<u>Outstanding Principal July 1, 1999</u>	<u>Issues</u>	<u>Retirements</u>	<u>Outstanding Principal June 30, 2000</u>
Bank Loan	9.5	9/28/00	\$ 15,000	\$ -0-	\$ (12,000)	\$ 3,000
Bank Loan	4.9	6/15/15	<u>-0-</u>	<u>534,748</u>	<u>-0-</u>	<u>534,748</u>
			<u>\$ 15,000</u>	<u>\$ 534,748</u>	<u>\$ (12,000)</u>	<u>\$ 537,748</u>

The future debt service requirements to maturity including \$221,469 of interest, are as follows:

Year ended June 30,

2001	\$ 53,459
2002	50,411
2003	50,411
2004	50,411
2005	50,411
Thereafter	<u>504,114</u>
	<u>\$ 759,217</u>

NOTE 7 - OBLIGATIONS UNDER CAPITAL LEASES

The Authority has acquired a copier under the provisions of a long-term lease agreement classified as a capital lease. Accordingly, the principal amount of the asset, totaling \$7,872, is capitalized in the Enterprise Fund. The lease provides for a bargain purchase option.

A summary of the future minimum lease payments follows.

Year ended June 30,

2001	\$ 3,099
2002	<u>1,033</u>
	4,132
Less interest	<u>(508)</u>
Total	<u>\$ 3,624</u>

NOTE 7 - OBLIGATIONS UNDER CAPITAL LEASES (Concl'd)

A summary of the changes in capital lease obligations resulting from purchases of items capitalized in the Enterprise Fund follows.

<u>Assets Acquired</u>	<u>Balance July 1, 1999</u>	<u>Addition</u>	<u>Reduction</u>	<u>Balance June 30, 2000</u>
Equipment	<u>\$ 5,801</u>	<u>\$ -0-</u>	<u>\$ (2,177)</u>	<u>\$ 3,624</u>

NOTE 8 - CONTRIBUTED CAPITAL

Contributed capital increased by the following amounts:

Contributed capital, July 1, 1999	\$ 6,812,104
Capital grants received	<u>949,895</u>
Contributed capital, June 30, 2000	<u>\$ 7,761,999</u>

NOTE 9 - LEASE REVENUES

As discussed in Note 1, the Authority subleases, under operating leases, certain property and improvements.

The operating leases have varying terms ranging from a month-to-month basis to twenty-five years. Most leases extending over a one year period contain a rent adjustment based on the consumer price index. Some leases contain an option to renew for a similar term.

Minimum future rental to be received on non-cancelable leases as of June 30, 2000, for each of the next five years and in the aggregate are:

Year ended June 30,	
2001	\$ 36,756
2002	33,774
2003	14,700
2004	14,700
2005	14,700
Thereafter	<u>87,783</u>
Total minimum future rentals	<u>\$ 202,413</u>

NOTE 10 - BUDGETARY BASIS OF ACCOUNTING

The adopted budget of the Enterprise Fund was prepared on the modified accrual basis. Consequently, the following adjustments are necessary to reconcile budgetary to GAAP basis.

	<u>Enterprise Fund</u>	
	<u>Total Operating Revenues</u>	<u>Total Operating Expenses</u>
Combined Statement of Revenues, Expenses and Changes in Retained Earnings	\$ 312,679	\$ 930,058
Nonoperating revenues and expenses	167,149	11,570
Adjustments to present data on the budgetary basis - additions	1,484,643	1,817,751
subtractions	<u>-0-</u>	<u>(389,576)</u>
Combined Statement of Revenues and Expenses - Budget and Actual - (Budgetary Basis)	<u>\$ 1,964,471</u>	<u>\$ 2,369,803</u>

NOTE 11 - RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Authority carries commercial insurance. The Authority is insured by Arizona State Workers Compensation Insurance Fund for potential job-related accidents.

NOTE 12 - DEFINED CONTRIBUTION PENSION PLAN

The Authority's 401(a) Retirement Plan is a defined contribution pension plan established by the Authority and administered by Nationwide Life Insurance to provide benefits at retirement to all full-time employees of the Authority. At June 30, 2000, there were five plan members. Plan members are required to contribute 6% of covered salary. The Authority is also required to contribute 6% of annual covered payroll. Plan provisions and contribution requirements are established and may be amended by the Authority's governing board. Covered payroll for the year totalled \$186,663. Employee contributions totalled \$11,200 and employer contributions totalled \$11,200 for the year.

NOTE 13 - FAA COMMITMENT FOR FUTURE IMPROVEMENTS

The Authority is obligated by the Federal Aviation Administration to invest an amount equal to the proceeds of land sales at the Kingman Industrial Park in improvements to and operations of the Kingman Airport within five years from the date of the sale. The amount obligated to be spent for airport improvements and operations at June 30, 2000, is \$0. The Authority complied with all regulations regarding its sale of land at the Kingman Airport and Industrial Park during the 1999-00 fiscal year.

Changes in the commitment for future improvements during the year ended June 30, 2000, were as follows:

Balance, beginning of year	\$ 722,791
Add: land sales during year	-0-
Deduct: expenses at Kingman Airport	<u>(722,791)</u>
	<u>\$ -0-</u>

SUPPLEMENTARY SCHEDULE

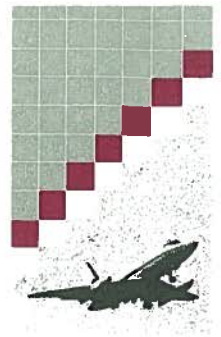
YEAR ENDED JUNE 30, 2000

	Airport	Industrial Park	Total
Operating revenues			
Leases	\$ <u>271,327</u>	\$ <u>41,352</u>	\$ <u>312,679</u>
Total operating revenues	<u>271,327</u>	<u>41,352</u>	<u>312,679</u>
Operating expenses			
Personnel	106,189	116,464	222,653
Payroll taxes and benefits	25,274	25,742	51,016
Office expense	8,620	9,022	17,642
Professional services	7,477	29,515	36,992
Maintenance and repairs	22,995	17,826	40,821
Motor pool	4,217	4,002	8,219
Operation expense	95,723	67,416	163,139
Depreciation	251,015	134,445	385,460
Amortization	<u>4,116</u>	<u>-</u>	<u>4,116</u>
Total operating expenses	<u>525,626</u>	<u>404,432</u>	<u>930,058</u>
Operating income (loss)	<u>(254,299)</u>	<u>(363,080)</u>	<u>(617,379)</u>
Nonoperating revenues (expenses)			
Intergovernmental	19,566	-	19,566
Contributions and donations	-	67,839	67,839
Interest revenue	5,891	16,395	22,286
Application fees	-	2,000	2,000
Miscellaneous revenues	19,451	36,007	55,458
Interest expense	<u>(11,570)</u>	<u>-</u>	<u>(11,570)</u>
Total nonoperating revenues (expenses)	<u>33,338</u>	<u>122,241</u>	<u>155,579</u>
Net income (loss)	\$ <u>(220,961)</u>	\$ <u>(240,839)</u>	\$ <u>(461,800)</u>

CITY OF KINGMAN

October 20, 2000

*Diane
For your collection
P. off*



Mr. Lou Sorensen
City Manager
City of Kingman
310 N. 4th Street
Kingman, AZ 86401

*Roger please file - as
you see fit.
Its Lou
8-Nov-00*

Dear Lou:

For your review and file, enclosed please find a copy of the Annual Financial Report for Kingman Airport Authority, Inc. for the year ending June 30, 2000 as prepared by Cronstrom & Trbovich.

Should you have any questions, please do not hesitate to contact me.

Sincerely,

Brenda

Brenda Chastain
Director, Corporate Administration

jp

Enclosure